

**CANAAN RESOURCES, LLC**  
**Balance Sheets**  
**September 30, 2020**

<b>ASSETS</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Current assets:		
Cash and cash equivalents	\$ 206,952	\$ 589,960
Accounts receivable:		
Oil and natural gas sales	793,929	838,632
Due from affiliates	(8,887)	1,880,145
Other	105,715	96,633
Derivative instruments short-term	-	144,039
Other current assets	324,584	268,047
Total current assets	<u>1,422,293</u>	<u>3,817,456</u>
Property and equipment, at cost		
Non producing leasehold	16,848,021	16,839,084
Oil and natural gas properties, based on the full cost method of accounting	309,823,882	308,154,420
Other equipment	3,248,796	3,246,886
Less accumulated depreciation and amortization	<u>(293,752,446)</u>	<u>(289,194,701)</u>
	36,168,253	39,045,689
Other assets	<u>154,112</u>	<u>70,000</u>
Total assets	<u><u>\$ 37,744,658</u></u>	<u><u>\$ 42,933,145</u></u>
<b>LIABILITIES and MEMBERS' EQUITY</b>		
Current liabilities:		
Accounts payable - trade	\$ 3,524,239	\$ 1,467,408
Revenue payable	84,760	71,053
Accrued interest payable	529,352	13,847
Note payable to bank	19,100,000	19,550,000
Total current liabilities	<u>23,238,351</u>	<u>21,102,308</u>
Asset retirement obligations	5,870,583	5,569,801
Members' equity	<u>8,635,724</u>	<u>16,261,036</u>
Total liabilities and members' equity	<u><u>\$ 37,744,658</u></u>	<u><u>\$ 42,933,145</u></u>

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Operations**

**Year to Date**  
**September 30, 2020**

**Revenues:**

Oil and natural gas sales	\$ 4,406,855
Natural gas gathering	1,971
Other	<u>2,817,824</u>
Total revenues	7,226,650

**Costs and Expenses:**

Production taxes	1,652,769
Lease operating expenses	1,751,391
Depreciation, depletion and amortization	4,858,527
Bad Debt Expense	2,413,316
General and administrative	2,950,471
Interest	<u>1,225,488</u>
Total costs and expenses	14,851,962
Net loss	<u><u>\$ (7,625,312)</u></u>

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Members' Equity**

	<b>Members'</b> <b>equity</b>
Balance at December 31, 2018	35,762,108
Net loss	<u>(19,501,072)</u>
Balance at December 31, 2019	16,261,036
Net loss	<u>(7,625,312)</u>
Balance at September 30, 2020	<u><u>\$ 8,635,724</u></u>

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Cash Flows**

**Year to Date**  
**September 30, 2020**

**Cash flows from operating activities:**

Net loss	\$ (7,625,312)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation, depletion and amortization	4,858,527
Derivative cash settlements not in oil and natural gas sales	144,039
Increase in accounts receivable and other assets	(105,028)
Decrease in due from affiliates	1,889,032
Increase in accounts payable and accrued expenses	1,124,663
Increase in revenues payable	13,707
Net cash provided by operating activities	<u>299,628</u>

**Cash flows from investing activities:**

Acquisition and development of oil and natural gas properties	<u>(230,726)</u>
Net cash used in investing activities	<u>(232,636)</u>

**Cash flows from financing activities:**

Borrowings (repayments) of debt	<u>(450,000)</u>
Net cash used in financing activities	<u>(450,000)</u>

Net decrease in cash and cash equivalents	(383,008)
Cash and cash equivalents at beginning of period	589,960
Cash and cash equivalents at end of period	<u><u>\$ 206,952</u></u>

**Supplemental Cash Flow Information:**

Cash payments for interest	<u><u>\$ 709,984</u></u>
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